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Report Highlights:

Wheat futures trade resume after two years, *Reining in food prices, managing subsidies the key*, *Remove curbs on trade, go with the grain*, *Non-basmati rice export ban may go*, *EU ban threat looms as peanut growers grapple with aflatoxin*, *Government goes hi-tech to list trade barriers*, *Millers flay cotton policy, say no benefits to farmers, textiles*, *Bharti Wal-Mart to Open First Cash-and-Carry Store*.

General Information:

Welcome to Hot Bites from India, a weekly summary of issues of interest to the U. S. agricultural community. The report includes information that has been garnered during travel within India, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included and summarized in this report. Significant issues will be expanded upon in subsequent reports from this office. Minor grammatical changes have been made for clarification.

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Wheat futures trade resume after two years

The Forward Market Commission (FMC) has cleared the proposal from the National Commodity and Derivatives Exchange (NCDEX) and Multi Commodity Exchange (MCX) to re-launch wheat futures from May 21. On the very first day, around 47,000 tons of wheat futures worth Rs 600 million were traded across the exchange platforms. The wheat futures in MCX witnessed total volume of 28,840 tons valuing at Rs 331 million with open interest of 6,280 tons. On the NCDEX platform, all the six contracts of wheat futures (standard milling quality) recorded total volume of 23,570 tons valuing at Rs 270 million with an open interest of 8,990 tons. The UPA government had banned futures trade in wheat, rice, red gram, and black matpe in March 2007 due to pressure from left parties, which were supporting the government from outside. The Communists were of the view that prices of wheat were rising due to speculative activities in commodity exchanges which eventually proved wrong.

(SOURCE: THE FINANCIAL EXPRESS, 05/22/09)

Reining in food prices, managing subsidies the key

The United Progressive Alliance (UPA) government has [again] ridden into power in tandem with a good crop season, but that will not reduce the number of issues that the next agriculture and food ministers will have to deal with. Perhaps top of the agenda will be lowering food prices. While global food prices have dipped over the past months, the domestic market has not relented even though the UPA hid behind the lopsided Wholesale Price Index during elections to claim that prices had calmed down. With the Left parties no more propping the UPA, the debate on opening the futures trade in commodities will also take central stage. There will be pressure on the Minister to open the [futures] trade in critical commodities. These two issues, along with the way government manages food subsidies and distribution, will naturally be top on the government agenda that claims its pro-aam aadmi (common man) work got it back in power. On agriculture, there is need to increase investment in agricultural research backed with a plan to rejuvenate the entire Indian Agricultural Research setup, which has become thoroughly unproductive.

(SOURCE: TIMES OF INDIA, 05/22/09)

Remove curbs on trade, go with the grain

On the agriculture front, the new Congress led government has much to do. These steps include removal of the wide-ranging curbs and control on private trade such as stockholding

limits, export restrictions, movement curbs and suspension of futures trading in several commodities. The government has to undertake proper implementation of the Vaidyanathan panel recommendations for rehabilitation of cooperative credit societies. The government should revitalize the pulses and oilseeds technology mission. The new government should revive the proposal for creating a single national market for agriculture by relaxing movement restrictions and adopt newer concepts like contract farming, options trading, public-private partnership for transferring technology to farmers.

(Source: Business Standard, 05/18/09)

Non-basmati rice export ban may go

The government is likely to allow exports of non-basmati rice from June while removing quantitative restrictions on wheat shipments following comfortable stocks to meet the foodgrain requirements of the Public Distribution System. According to a government official, as the government has procured a record quantity of rice this year, it is a matter of time before the ban is lifted. He also said that the quantitative restriction of two million tons of wheat for export may soon be waived by allowing free trade as there is record procurement of foodgrains this year. However, the decision has to be taken by the cabinet after formation of the government, the official said. "If stocks deplete and prices rise in the domestic market, the banning of exports is always an option," another official noted.

(SOURCE: FINANCIAL EXPRESS, 05/21/09)

EU ban threat looms as peanut growers grapple with aflatoxin

Around 40 consignments of Indian peanuts have been rejected by the EU during last six months due to higher levels (15 ppb) of aflatoxins found in them. Exporters now fear a total ban on exports when an EU team visits this September to check quality standards. According to trade sources, nearly 30 percent of the total 5 million kernels produced in India are contaminated with aflatoxins. Some years ago the percentage was 10-11 percent. The Indian Oilseeds and Produce Export Council (IOPEC) through its awareness program in India wants the processing units to upgrade hygienic standards, use advance machinery and utilize better storage facilities to help control the growing incidence of aflatoxins contamination. As per trade sources, the consignments for the EU were cleared from ports only after a quality certification from a government approved laboratory. However, they failed tests in EU, citing longer transit time (60 days) as a reason for the contamination.

(SOURCE: THE FINANCIAL EXPRESS, 05/22/09)

Government goes hi-tech to list trade barriers

The Commerce Ministry is developing the web portal where Indian exporters (small, medium and big) after submitting their Importer Exporter Code (IEC) can log onto and promptly submit all the specific problems, including cases related to visas, regulations and customs as and when they face them in the exporting countries. The portal is first made for exporters catering to European markets. Later it will be expanded to all exporters sending their shipments to other foreign markets as well. The portal will be meant for the export of goods, but over a period of time services exporters will also be asked to list their problems. Simultaneously, the government has also asked industry bodies (CII, FICCI) to bring to its notice all protectionist measures in other countries. India had recently slammed the 'buy American' clause and other measures preventing Indian professionals from working abroad on a contractual basis in the services and manufacturing sectors. The government is peeved that developed countries on one hand try to protect their industries and at same time seek increased market access in developed countries.

(Source: The Financial Express, 05/16/09)

Millers flay cotton policy, say no benefits to farmers, textiles

According to the Chairman, Southern India Mills Association (SIMA), the government policies in 2008-09 on cotton have not benefited either the cotton grower or the textile industry except for traders and exporters. Removal of cotton from the Essential Commodities Act during February, 2007, enabled multi-national cotton traders to make huge purchases during the cotton season 2007-08, hoard and speculate the cotton price over 45 percent in India. The higher MSP further made the price of Indian cotton dearer in the global market, thereby making a dent on exports. Owing to the very high MSP, the Cotton Corporation of India (CCI) and NAFED had to enter the market and purchase almost 50 percent of the cotton during the current cotton season and sell at lower prices incurring huge losses.

(Source: The Financial Express, 05/16/09)

Bharti Wal-Mart to Open First Cash-and-Carry Store

Wal-Mart Stores is set to open its first cash-and-carry centre in India. Bharti-Wal-Mart, a joint venture of India's Bharti enterprises and Wal-Mart, will open the wholesale centre in Amritsar city, next week. India's fragmented and tightly controlled retail industry is forecast to double its size by 2015 but less than five percent of the market is in the hands of modern retailers.

Foreign multi-brand retailers are now limited to wholesale or license, and franchise operations in India. The Bharti-Wal-Mart centre, named Best Price Modern Wholesale, will be the first centre out of the 10 to 15 planned wholesale facilities in India, measuring about 50,000 to 100,000 sq ft each, employing about 5,000 people over the next seven years. According to a

partner of AT Kearner, the Congress government has followed a slow and cautious approach to retail for five years. However, there may be a greater pressure from investors, and perhaps they will ease some rules.

(SOURCE: THE ECONOMIC TIMES, 05/21/09)

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